AS "Moda Kapitāls"

ANNUAL REPORT 2013

prepared in accordance with EU approved
International Financial Reporting Standards

CONTENTS

MANAGEMENT

Names and positions of the Council members	Andris Banders - member of the Council Inese Kanneniece - member of the Council Aleksandrs Sirmais - member of the Council Verners Skrastiņš - member of the Council Diāna Zvīne - member of the Council
Names and positions of the Board members	Ilvars Sirmais - member of the Board Guntars Zvīnis - member of the Board

REPORT OF THE MANAGEMENT

Type of operations

The basic activity of AS Moda Kapitāls (further - Company) is issuing of short-term loans against a pledge of movable and immovable property and trading of a wide range of home appliances, electronics and items made of precious metals.

Performance during the financial year and financial situation of the Company

In 2013 AS Moda Kapitāls opened two new branches - in Cesis and Riga. Locations of branches were changed in some cities and their new locations are considered to be geographically more advantageous for the present Company's clients, as well as give an advantage for the attraction of new clients.
The Company's management analyzes the current overall situation in the market of non-bank lenders to be able to objectively evaluate the additional openings of new branches and their potential profitability.
In 2014 planned to open an additional branch, which will be located in the city where the Company is already successfully running. At the same time the Company is working on a project where existing and new customers will be given the opportunity to receive a part of AS Moda kapitāls services with remote access, in our opinion, it will enable more successfully to attract new customers.

Continuously are being improved the qualification of employees and improved the system of the Company's customer service, as well as will continue improvement and modernization of branches premises, developing assortment of goods for sale.

In 2013 was observed moderate increase in customer activity and demand for AS Moda Kapitāls services rendered and it continued to increase gradually. At the same time growing the circle of clients who regularly use the Company's services, as concluding loans, as well as purchasing traded commodities. There is a trend that customers more responsibly assess the need for credit and showing greater interest in the purchase of various goods.

Compared with the previous year, in a large part of the Company's branches are observed further development, which suggests that also in 2014 turnover will increase. As in previous years, major attention is being paid to the payment discipline of clients and individual work with clients, in order the delayed payment problem would be solved through co-operation. Work on offering of a higher quality loan services to clients continued.

Foreign subsidiaries and representation offices

Currently thirty pawnshop branches are operating in: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis (two branches), Dobele, Daugavpils (two branches), Gulbene, Jēkabpils (two branches), Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Madona, Ogre, Rēzekne, Riga (two branches), Saldus, Talsi, Valmiera, Ventspils, Tukums, Preiļi, Ludza, Valka, and an office in Riga.

Events after the end of financial year

During the time period from the last day of the financial year, no significant events have occurred that would significantly affect the financial condition of the Company at 31 December 2013.

Future development plans

We forecast that in 2014 sales will continue to increase moderately and the year will be closed with a profit.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted the EU. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 5 to page 28 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 EUR	2012 EUR
Revenue	(1)	1 505 794	1 601 636
Finance income	(1)	1 466 999	1 504 145
Cost of sales	(2)	(1 251 476)	(1 415 005)
Finance costs	(3)	(383 710)	(353 861)
Gross profit		**1 337 607**	**1 336 915**
Distribution expenses	(4)	(903 736)	(820 436)
Administrative expenses	(5)	(362 355)	(364 818)
Other income	(6)	29 124	14 867
Other expenses	(7)	(70 963)	(27 809)
Profit before tax		**29 677**	**138 719**
Corporate income tax	(9)	(5 741)	(6 933)
Net profit		**23 936**	**131 785**
Other comprehensive income / (loss)		**-**	**-**
Total comprehensive income		**23 936**	**131 785**

Notes on pages 10 to 28 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2013. EUR	31.12.2012. EUR
ASSETS			
Non-current assets			
Intangible assets	(10)	43 827	47 540
Property, plant and equipment	(10)	792 171	763 409
Other non-current assets		142	142
Total non-current assets:		**836 141**	**811 091**
Current assets			
Inventories	(11)	711 407	619 571
Loans and trade receivables	(12)	2 581 066	2 649 329
Other current assets	(13)	163 152	151 976
Corporate income tax	(9)	7 445	7 501
Cash and cash equivalents	(14)	312 423	121 425
Total current assets:		**3 775 493**	**3 549 802**
Total assets		**4 611 633**	**4 360 893**

EQUITY AND LIABILITIES		31.12.2013. EUR	31.12.2012. EUR
Equity			
Share capital	(16)	426 862	426 862
Revaluation reserves of non-current assets	(10)	133 288	133 288
Retained earnings		1 513	70 064
Total equity:		**561 663**	**630 213**
Liabilities:			
Non-current liabilities:			
Borrowings	(17)	3 324 365	2 999 585
Deferred income tax liabilities	(9)	54 069	52 208
Total non-current liabilities:		**3 378 434**	**3 051 793**
Current liabilities:			
Borrowings	(17)	448 841	488 657
Trade and other payables	(18)	222 695	190 231
Total current liabilities:		**671 536**	**678 889**
Total liabilities:		**4 049 971**	**3 730 682**
Total equity and liabilities:		**4 611 633**	**4 360 894**

Notes on pages 10 to 28 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2011.	**426 862**	**133 288**	**6 577**	**566 727**
Calculated dividends	-	-	(68 298)	(68 298)
Net profit	-	-	131 785	131 785
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**131 785**	**131 785**
31.12.2012.	**426 862**	**133 288**	**70 064**	**630 214**
Calculated dividends	-	-	(92 487)	(92 487)
Net profit	-	-	23 936	23 936
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**23 936**	**23 936**
31.12.2013.	**426 862**	**133 288**	**1 513**	**561 663**

CASH FLOW STATEMENT

	Notes	2013 EUR	2012 EUR
Cash flow from operating activities			
Profit before corporate income tax		29 677	138 719
Adjustments for:			
depreciation and amortization	(10)	104 181	70 025
loss / (profit) from disposal of property, plant and equipment		17 036	(4 390)
Changes in working capital			
inventories		(91 838)	(317 443)
receivables		57 145	(126 547)
liabilities		28 901	43 234
Cash flow from operating activities		**145 102**	**(196 402)**
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	(10)	(146 267)	(287 863)
Net cash flow generated from investing activities from continuing operations		**(146 267)**	**(287 863)**
Cash flow from financing activities			
Proceeds from bond issuance		-	660 001
Loans received	(17)	648 330	1 144 976
Borrowings repaid	(17)	(338 312)	(1 145 447)
Dividends paid		(92 487)	(56 198)
Paid on finance lease agreements		(25 367)	(68 298)
Net cash flow generated from financing activities from continuing operations		**192 164**	**535 034**
Net increase / (decrease) in cash and cash equivalents		**190 999**	**50 769**
Cash and cash equivalents at the beginning of the financial year		**121 424**	**70 656**
Cash and Cash equivalents at the end of the financial year	(14)	**312 423**	**121 425**

Notes on pages 10 to 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

AS Moda Kapitals (further - Company) main activity is the issuing of short-term loans against pledge of movable and immovable property. AS Moda Kapitals is a joint stock company founded and operating in Latvia. Registered address of the Company is at Ganibu dambis 40A-34, Riga, LV-1005.

The current financial year of the Company is from 1 January 2013 up to 31 December 2013.

These financial statements were authorized for issue by the Board of Directors of the Company on 29 April 2014, and Member of the Board Guntis Zvīnis signed these for and on behalf of the Board of Directors.

The auditor of the Company is SIA Roedl & Partner.

II. ACCOUNTING POLICIES

(1) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS).

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the following notes.

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Company has elected to present the ‘Statement of comprehensive income’ in one statement.

In some cases IAS 1 determined requirement to present a statement of financial position of the earliest comparative period. The latter so far has not been applicable to the Company.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in Note (18) to accounting policies.

a) Standards, amendments and interpretations effective in the current year and have an impact on the Company's financial statements

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather describes how to measure fair value where fair value is required or permitted. The Company presented additional disclosures in the financial statements.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).
This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendments have no significant impact on Company's financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity’s financial position. The amendments have no significant impact on Company's financial statements.

b) Standards, amendments and interpretations, that have an impact on the Company, but which are not yet effective and has not early adopted by the Company

IFRS 9, Financial Instruments Part 1: Classification and Measurements(effective for annual periods beginning on or after 1 January 2015, not yet adopted by the EU).
The IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Company is considering the impact of the standard on the Company's financial statements.

IAS 36, Recoverable amount disclosures for non-financial assets - Amendment (effective for annual periods beginning on or after 1 January 2014).
The amendment remove the requirements to disclose the recoverable amount when a cash generated unit contains goodwill or indefinite lived intangible assets but there has been no impairment. The Company does not expect, that this amendment to have significant impact on the financial statements.

IAS 39, Novation of derivatives and continuation of hedge accounting - Amendment (effective for annual periods beginning on or after 1 January 2014).
The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedge instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of law or regulation, if specific condition are met. The Company does not apply hedge accounting, consequently, the Company does not expect, that this amendment to have significant impact on the financial statements.

c) Standards, amendments and interpretations, which are not yet effective and not yet endorsed by the EU

IFRS 9, Financial instruments: Classification and Measurement, IFRIC 21 - Levies (effective for annual periods beginning on or after 1 January 2014).

IAS 19, Defined benefit plans: Employee contributions - Amendment (effective for annual periods beginning on or after 1 July 2014).

Improvements to IFRS issued in 2012 (effective for annual periods beginning on or after 1 July 2014).

Improvements to IFRS issued in 201 3 (effective for annual periods beginning on or after 1 July 2014).

(2) Reclassification of comparatives

To improve the analysis of the financial statements' data in 2013 the Company has made the reclassification of items in the statement of financial positions and in the income statement. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	**2012 Adjusted Name of line item**	**2012 Prior adjustments Name of line item**	**Amount EUR**
Real estate - loan collateral owned by the Company	Inventory	Investment properties	155 773
Corporate income tax assets	Corporate income tax	Other receivables	7 501
Interest income, income from penalties, fines	Financial income	Net sales	1 504 145
Interest paid on loans and bonds	Finance costs	Cost of sales	353 861
The cost of the Company's sales centers (branches) including personnel costs, rent of premises and maintenance costs, depreciation of fixed assets, licenses expenses, non-deductible VAT and other sales costs	Distribution expenses	Cost of sales	803 107
Interest paid on finance lease obligations	Administrative expenses	Finance costs	1 760

Reclassification of comparatives (continuation)

Name of items reclassified	2012 Adjusted Name of line item	2012 Prior adjustments Name of line item	Amount Ls
Interest paid on finance lease obligations	Other current assets	Interest paid on finance lease obligations	22 642
Other receivables	Other current assets	Other receivables	7 191
Deferred expenses	Other current assets	Deferred expenses	25 822
Accrued income	Other current assets	Accrued income	96 321
Advances from customers	Trade and other payables	Advances from customers	3 725
Trade payables	Trade and other payables	Trade payables	22 619
Taxes and social insurance payments	Trade and other payables	Taxes and social insurance payments	33 718
Other liabilities	Trade and other payables	Other liabilities	30 713
Accrued liabilities	Trade and other payables	Accrued liabilities	99 456

(3) Foreign currencies

(a) Functional and presentation currency
Items shown in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in Latvian lat (Ls), which is the Company's functional and presentation currency.

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia EUR / LVL (1 EUR = LVL 0.702804) for the period from 1 January 2012 to 31 December 2013.

(b) Transactions and balances
All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement for the period.

Exchange rates used at the year-end are as follows:

	31.12.2013. Ls	31.12.2012. Ls
1 USD	0,531	0,544
1 EUR	0,702804	0,702804

(4) Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(5) Revenue recognition

Income is recognised to such extent, for which substantial measurement is feasible and there is a reason to consider that the Company will gain economic advantage related thereof. Income is evaluated in the fair value of remuneration received, less sale discounts and the value added tax. The Company assesses its income gaining operations according to certain criteria, in order to establish whether it acts as the parent company or a representation. The Company considers that in all income gaining operations it acts as the parent company. Before income recognition the following preconditions shall be fulfilled:

Sales of goods
Sales income shall be recognised if the Company has transferred to the customer significant risks related to the goods ownership and remunerations, usually at the moment of delivery of goods.

Mediation income
The Company gains income from mediation services for pledged goods. Mediation services refer to the Company basic type of operations, so these income is included in the income statement as revenue. Income from such services are gained when the Company sells to a client the respective pledged goods.

Interest income and expense
For all financial instruments booked in their amortised acquisition value and financial assets, for which interest is calculated and which are classified as available for sale, the interest income and expenses are registered using the effective interest rate, namely, the rate which actually discounts the estimated monetary income through the whole useful life period of the financial instrument or - depending on the circumstances may be - a shorter time period until the balance sheet value of the respective financial asset or liability is reached.

Other income
Income from penalties charged from clients is recognised at the moment of receipt. Penalties mainly consist of fines imposed on clients for the delay in payment.

(6) Intangible assets

Intangible assets, in general, consist of licenses and patents. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licenses and patents	3-5

(7) Property, plant and equipment (PPE)

Buildings are recognised at their fair value on the basis of assessment made by independent valuator from time to time less accumulated depreciation. Accumulated depreciation is liquidated as of revaluation date, net sum is charged to the revaluated cost. Land is recognised at their fair value on the basis of assessment made by independent valuator from time to time. Other assets are recognised at their acquisition value less accumulated depreciation. Acquisition value includes the costs directly related to acquisition of the asset.

Subsequent costs are recognised in the asset’s carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognised as an expense during the financial period when they are incurred.

Increase in value arising on revaluation is recognised in equity under “Revaluation reserve of non - current assets”, but decrease that offsets a previous increase of the same asset’ s value (net of deferred tax) recognised in the said reserve is charged against that reserve; any further decrease is recognised in other comprehensive income for the year incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

Property, plant and equipment (PPE) (continuation)

	Years
Buildings	20 - 30
Computer equipment	3 - 5
Other machinery and equipment	4 - 10

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

(8) Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Companie's latest budget.

An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount. A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: (a) its recoverable amount (if determinable) and (b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

(9) Lease-to-buy (financial lease)

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability.

(10) Inventories

The inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realizable value.

(11) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Company categorises its financial assets, except derivative financial instruments if any, under loans and receivables. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Company’s financial liabilities include borrowings, trade and other payables and obligations arising from derivative financial instruments (if formed).

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except financial assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset’s carrying amount and recoverable value. The changes of the provision are recognised in the statement of comprehensive income. Loans and receivables carrying amount is reduced through the use of the provision account. Loss of the provision are recognized in the statement of comprehensive income as other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against ‘other operating expenses’ in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at the amount of proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is gradually recognised in profit and loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(13) Share capital and dividends

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

(14) Employee benefits

Short-term employee benefits, including salaries, social security contributions and bonuses are included in the statement of profit or loss on an accrual basis.

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

(15) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15% tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

(16) Fair value estimation

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments unless there is information on market prices.

(17) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board and the Council, their close relatives and companies, in which they have a significant influence or control. Also companies located in ultimate control or significant influence by the controlling member are related parties.

(18) Critical accounting estimates and judgments

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgments applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the land and building and determination of their useful life period, determination of revaluation regularity, as well as recoverable amount of receivables and inventories as disclosed in the relevant notes.

Critical accounting estimates and judgments (continuation)

a) Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuators in accordance with the property valuation standards and based on observable market price as well as future cash flow and construction costs methods.

The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. By the management estimates, in the reporting year the factors that indicate a potentially significant changes in the value of those assets has not been identified, and, as a result, fair value measurement procedures has not been made. The total carrying amount of land and buildings as at 31 December 2013 is EUR 334 324 (31.12.2012 - EUR 340 241).

b) Recoverability of receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (12) of the financial statements.

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

Core activity of the Company is the issuing of short-term loans against pledge of movable and immovable property and the realization of the pledged property. As the Company's other business lines, including other commodity trade is irrelevant, the Company has only one operation and reportable segment. Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(b) Geographical markets

The Company operates only in Latvia. Currently thirty pawnshop branches are operating in: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis (two branches), Dobele, Daugavpils (two branches), Gulbene, Jēkabpils (two branches), Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Madona, Ogre, Rēzekne, Riga (two branches), Saldus, Talsi, Valmiera, Ventspils, Tukums, Preiļi, Ludza, Valka, and an office in Riga.

(c) Revenue

	2013 EUR	2012 EUR
Income from sales of pledged assets	1 142 225	1 490 562
Income from other goods sales	363 569	111 074
	1 505 794	**1 601 636**

(d) Finance income

Interest income on loans	1 312 187	1 364 368
Income from penalties, fines	164 811	122 916
Calculated, but not received interest	(9 998)	16 861
	1 466 999	**1 504 145**

(2) Cost of sales

Value of sold pledges	964 435	1 332 218
Goods purchased for sales purposes	287 040	82 787
	1 251 476	**1 415 005**

(3) Finance costs

Interest paid on loans and bonds	383 710	353 861
	383 710	**353 861**

(4) Distribution expenses

Personnel costs	476 664	437 310
Rent of premises and maintenance costs	169 255	141 933
Depreciation of property, plant and equipment	98 596	71 472
Other costs	55 433	40 441
Non-deductible VAT	48 966	43 100
Write-off of low value inventory and fixed asset	16 937	7 194
Advertising expenses	14 371	17 329
License expenses	14 229	61 657
Other distribution expenses	9 286	-
	903 736	**820 436**

(5) Administrative expenses

	2013 EUR	2012 EUR
Personnel costs	220 366	229 962
Transport costs	52 863	59 645
Professional service costs	29 187	17 881
Communication expenses	23 634	21 044
Office expenses	12 169	13 115
Bank changes	6 568	5 756
Donations	3 702	5 151
Representation costs	3 368	3 682
Leasing interest	3 016	1 760
Business trip expenses	2 582	1 421
Other administrative expenses	4 901	5 401
	362 355	**364 818**

(6) Other income

Insurance income	20 145	-
Net gain on disposal and sales of property, plant and equipment	144	8 043
Other income	8 834	6 824
	29 124	**14 867**

(7) Other expenses

Other expenses	41 169	16 067
Provisions for doubtful receivables	23 864	4 229
Loss from purchase - sale of foreign currency	3 402	7 513
Real estate tax	2 527	-
	5 930	**7 513**

(8) Expenses by Nature

Purchase cost of goods sold	1 251 475	1 415 005
Personnel costs	697 030	667 271
Interest paid on credits, borrowings	383 710	353 861
Rent of premises and maintenance costs	181 424	155 047
Depreciation of property, plant and equipment	98 596	71 472
Transport costs	52 863	59 645
Non-deductible VAT	48 966	43 100
Other expenses	258 177	216 527
	2 972 241	**2 981 928**

(9) Corporate income tax

a) Components of corporate income tax

	2013 EUR	2012 EUR
Changes in deferred income tax	1 861	(1 991)
Corporate income tax according to the tax return	3 880	8 924
	5 741	**6 933**

b) Reconciliation of accounting profit to income tax charges

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

Corporate income tax (continuation)

	2013 EUR	2012 EUR
Profit before taxes	29 678	138 719
Theoretically calculated tax at 15% tax rate	**4 452**	**20 808**
Tax effects on:		
Non-deductible expenses for tax purposes	2 498	1 656
Tax relief for reinvested profits	(238)	(64)
Tax discounts for donations	(970)	(15 467)
Total corporate tax charge	**5 742**	**6 933**

c) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	52 208	54 199
Deferred tax changes charged to the income statement	1 861	(1 991)
Deferred tax liabilities (asset) at the end of the financial year	**54 069**	**52 208**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013. EUR	31.12.2012. EUR
Temporary difference on depreciation of PPE and intangible assets	61 162	55 757
Gross deferred tax liabilities	**61 162**	**55 757**
Temporary difference on accruals for annual leave	(3 574)	(3 549)
Temporary differences on accrued liabilities	(3 519)	-
Gross deferred tax assets	**(7 093)**	**(3 549)**
Net deferred tax liability (assets)	**54 069**	**52 208**

The Company offsets the deferred tax assets and the deferred tax liabilities only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax is related to the same taxation authority. The offset amounts are as follows:

	31.12.2013. EUR	31.12.2012. EUR
Deferred tax assets:		
deferred tax asset to be recovered within a year	(7 093)	(3 549)
	(7 093)	(3 549)
Deferred tax liabilities:		
deferred tax liabilities to be recovered within a year	6 315	16 544
deferred tax liabilities to be recovered after more than a year	54 847	39 213
	61 162	55 757
Net deferred tax liabilities (assets)	**54 069**	**52 208**

The movement of deferred tax assets and liabilities during the reporting year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of PPE EUR	Accruals for unused annual leave EUR	Other accrued liabilities EUR	Total EUR
31.12.2011	**57 108**	**(2 910)**	**-**	**54 198**
Charged / (credited) to income statement	(1 352)	(639)	-	(1 991)
31.12.2012	**55 756**	**(3 549)**	**-**	**52 207**
Charged / (credited) to income statement	5 405	(26)	(3 519)	1 860
31.12.2013	**61 161**	**(3 575)**	**(3 519)**	**54 067**

(10) Intangible assets and Property, plant and equipment (PPE)

	Intangible assets - licences	Property, plant and equipment				
		Lands and buildings	**Leasehold improvements**	**Other PPE**	**Advances and development costs**	**Total PPE**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
31.12.2011						
Initial cost/ revaluated	55 769	357 995	6 705	300 355	13 620	678 675
Accumulated depreciation	(7 452)	(5 918)	(851)	(111 169)	-	(117 938)
Net book value	**48 317**	**352 077**	**5 854**	**189 186**	**13 620**	**560 737**
2012						
Opening net book value	48 318	352 077	5 854	189 186	13 620	560 737
Acquired	2 876	-	186	256 467	31 209	287 862
Disposed	-	-	-	(41 666)	(11 520)	(53 186)
Reclassified	-	-	2 399	4 031	(6 430)	-
Depreciation	(3 654)	(11 835)	(2 244)	(17 925)	-	(32 004)
Closing book value	**47 540**	**340 242**	**6 195**	**390 093**	**26 879**	**763 409**
31.12.2012						
Initial cost/ revaluated	58 645	357 995	9 290	519 187	26 879	913 351
Accumulated depreciation	(11 106)	(17 753)	(3 095)	(129 094)	-	(149 942)
Net book value	**47 539**	**340 242**	**6 195**	**390 093**	**26 879**	**763 409**
2013						
Opening net book value	47 540	340 241	6 195	390 093	26 879	763 408
Acquired	151	-	8 226	97 983	39 908	146 117
Disposed	-	-	(1 311)	(12 170)	-	(13 481)
Reclassified	-	-	-	-	(10 015)	(10 015)
Depreciation	(3 863)	(11 836)	(3 226)	(78 797)	-	(93 859)
Closing book value	**43 828**	**328 405**	**9 884**	**397 109**	**56 772**	**792 170**
31.12.2013						
Initial cost/ revaluated	58 796	357 995	16 205	605 000	56 772	1 035 972
Accumulated depreciation	(14 969)	(29 589)	(6 321)	(207 891)	-	(243 801)
Net book value	**43 827**	**328 406**	**9 884**	**397 109**	**56 772**	**792 171**

Intangible assets and Property, plant and equipment (PPE) (continuation)

a) Revaluation of land and building and fair value techniques used

As at 31 December 2004 the Company made first revaluation of real estate. As a result of revaluation, a revaluation reserve of non-current assets in the amount of 53 528 EUR was booked, where 15% of the reserve was attributed to deferred corporate income tax liabilities. Initially calculated revaluation reserve was corrected in 2011 decreasing it by
11 066 EUR to 41 040 EUR.

In June 2011 certified real estate valuator M. Vilnitis who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. As a result of revaluation a revaluation reserve of non-current assets was increased by 109 786 EUR, where 15% or 16 468 EUR of the reserve was attributed to the liabilities of deferred corporate income tax liabilities. The valuation was determined by two valuation techniques:

1) Under market approach (with the effect of 50% to estimated fair value) the recent market transactions for the similar assets has been used. Sales prices of comparable properties are adjusted for differences in key attributes such as property size, location, technical conditions of the buildings. The most significant input into this valuation is price per square meter.

2) Under income approach (with the effect of 50% to estimated fair value) the expected cash flow has been estimated based on the rental income for the similar properties. The projected future rental income less operational running costs and necessary investments has been discounted to present value. The most significant inputs into this valuation are rental price per square meter, discount rate representing the time value for money and risk premium, reversion or multiplier exit (exit multiple).

Valuation technique	**Unobservable inputs (3rd level)**	**Range used**	
		min- max	**weighted average**
Income approach	discount rate	10%	10%
	exit multiple	9%	9%

Total revaluation surplus of property, plant and equipment on 31 December 2013 was EUR 156 809 (31.12.2012 - EUR 156 809). Revaluation amount less the attributable deferred income tax liabilities is recognizes in equity under “Revaluation reserve of non-current assets”.

Revaluation reserve can not be reclassified to other equity items, except at the disposal of assets, and paid to the shareholders as dividends.

b) Other notes

All fixed assets - real estate of the Company are pledged under conditions of the agreement of the Mortgage and Commercial pledge as the security for loans in favour of the credit institutions (see Note (19)).

(11) Inventories	**31.12.2013. EUR**	**31.12.2012. EUR**
Goods purchased for sales purposes	292 233	242 961
Real estate - loan collateral owned by the Company	237 205	155 773
Other collateral owned by the Company	196 199	220 837
	(14 230)	0
	711 407	**619 571**

According to the loan agreements, failure to comply with terms of the contract, the Company is entitled to take over ownership of the pledged assets. These assets are held and available for sale.

(12) Loans and trade receivables	31.12.2013. EUR	31.12.2012. EUR
Short-term loans secured with pledges	2 023 683	2 144 249
Client debts brought to court	500 460	474 107
Short-term loans not secured with pledges	76 563	43 499
Provisions for impairment of trade receivables	(19 640)	(12 526)
	2 581 066	**2 649 329**

Client debts brought to court		
Short-term loans secured with pledges	488 267	441 578
Short-term loans not secured with pledges	12 193	32 528
	500 460	**474 106**

In the item 'Client debts brought to court' are indicated only the principal amount of loans. Possible additional penalty and interest income that may arise in a positive result of a judgment, the Company accounted for as contingent asset.

From 100 (31.12.2012: 50) customer receivables, that are transferred to court, 64 (31.12.2012: 44) are secured by real estate collateral, the remaining 36 debts in the amount of 12.1 thousand EUR (31.12.2012 - EUR 31.3 thousand) are not secured by collateral. One property that is the subject of proceedings, the approximate value of the collateral is less than the loan principal amount of 21.3 thousand EUR. In all other cases of legal proceedings, the Company is secure that will recover loan principal amount. The average cover of pledge against the loan balance value is XXX (31.12.2012 - 1,26).

Movement in provisions for impairment of accounts receivable:

	2013 EUR	2012 EUR
Provisions at the beginning of the year	12 525	10 818
Created/(reduced) provisions	7 114	1 707
Provisions at the end of the year	**19 639**	**12 525**

Issued short-term loans interest rates:

	2013 % per year	2012 % per year
Loans against hand pledge till 427 EUR	60 - 240	132- 240
Loans against hand pledge over 427 EUR	60 - 180	132- 180
Loans against transport, which remains available to customers	30 - 180	144- 240
Loans against transport that comes into the Company's storage	-	60 - 144
Loans against real estate	24 - 96	30 - 120

(13) Other current assets	31.12.2013. EUR	31.12.2012. EUR
Financial assets:		
Accrued interest payments	86 323	96 321
Other receivables, net	6 259	1 287
Settlements for services	4 226	1 085
Overpaid taxes	22	4 819
	96 829	103 512
Non-financial assets		
Settlements for inventories	42 795	22 642
Deferred expenses	23 527	25 822
	66 322	48 464
	163 151	**151 976**

(14) Cash and cash equivalents	31.12.2013. EUR	31.12.2012. EUR
Cash at bank on current accounts	174 197	28 903
Cash on hand	138 226	92 522
	312 422	**121 425**

(15) Financial instruments by catergory

All financial assets of the Company amounting at the year end to EUR 2 976 087 (31.12.2012 - EUR 2 961 062) fell under the category of loans and receivables.

All financial liabilities of the Company amounting to EUR 3 995 902 (31.12.2012 - EUR 3 678 472) fee under the category of other financial liabilities, there are no liabilities at fair value through profit or loss.

(16) Share capital

As by 31 December 2013, the share capital has been completely paid. It consists of 6 000 shares with the nominal value of 71.14 (71.1435905316) EUR and the total value of 426 862 (826 840) EUR.

(17) Borrowings	Note	31.12.2013. EUR	31.12.2012. EUR
Non-current			
Non-convertible bonds	b)	2 860 000	2 859 689
Bank borrowings	c)	12 545	42 562
Other loans	d)	383 000	-
Finance lease liabilities	e)	68 820	97 334
		3 324 364	**2 999 585**
Current			
Bank borrowings	c)	70 327	28 291
Other loans	d)	350 000	434 999
Finance lease liabilities	e)	28 514	25 367
		448 841	**488 657**
Borrowings total:		**3 773 206**	**3 488 241**

a) Fair value of borrowings

Considering that the variable interest rate is applied to loans from credit institutions and financial leasing agreements, fair value is not materially different from the carrying value. The management assesses, that also carrying value of other borrowings is not materially different from their fair value.

During the reporting and previous year with the Company's bonds were not made transactions for which is available public information to assess their market value.

b) Bonds

On 24 Novmber 2010 the Company issued 1 700 corporate bonds with nominal value of EUR 1 000 or totally EUR 1 700 000 (LVL 1 194 767). Coupon interest is set at 12% and maturity date is 25 October 2015. Coupon interest is payable quarterly. In the first half of 2011 the Company issued in addition 500 corporate bonds with nominal value of EUR 1 000 or totally EUR 500 000 (LVL 351 402). In 2012 the Company issued in addition 660 corporate bonds with nominal value of EUR 1 000 or totally EUR 660 000 (LVL 463 851), which is reflected in this report, taking into account with issuance of the bonds associated costs. In the Annual report, bonds are stated at its fair value taking into account listing expenses. In 2014 were issued in addition 450 corporate bonds with nominal value of EUR 1 000 or nominal value of EUR 450 000 (LVL 316 269).

Bonds are included in Baltic bond list of NASDAQ OMX Riga AS stock exchange.

Borrowings (continuation)

	2013		2012	
	number of bonds	**EUR**	**number of bonds**	**EUR**
At beginning of the year	4 069	2 860 000	3 130	2 199 689
Issued during the year	-	-	939	660 000
At the end of the year	**4 069**	**2 860 000**	**4 069**	**2 859 689**

c) Bank borrowings

The Company uses ABLV bank granted credit line with a maximum limit of EUR 65 000, with maturity date till February 2015 and interest rate of 5% + 6 months EURIBOR. The company also received a loan of EUR 200 000, with a maturity date until March 2015 and interest rate of 6.5% + 6 months EURIBOR.

Loans are secured by a mortgage on the Company's immovable properties with a total book value of EUR 328 406 (31.12.2012 - EUR 341 237).

	2013	2012
	EUR	**EUR**
At beginning of the year	70 853	97 613
Borrowings received in the year	266 500	(26 760)
Repaid borrowings in the year	(254 482)	-
At the end of the year	**82 871**	**70 853**

d) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (19)). Borrowing interest rates range from 6% to 9% per year.

	2013	2012
	EUR	**EUR**
At beginning of the year	434 999	579 001
Borrowings received in the year	381 830	974 686
Repaid borrowings in the year	(83 830)	(1 118 687)
At the end of the year	**733 000**	**435 000**

e) Finance lease liabilities

The Company has acquired fixed assets under finance lease. Interest payments are 2.5% + 3 M EURIBOR payable due on monthly basis.

In accordance with the agreements the minimum finance lease payments are:	31.12.2013.	31.12.2012.
	EUR	**EUR**
Payable within 1 year	28 514	25 367
Payable from 2 to 5 years	73 884	105 413
Finance lease gross liability	**102 398**	**130 780**
Future finance costs	(5 064)	(8 080)
Present value of finance lease liability	**97 334**	**122 700**

(18) Trade and other payables

	31.12.2013. EUR	31.12.2012. EUR
Accrued liabilities	76 772	75 801
Salaries	32 753	30 713
Accruals for unused annual leave	23 825	23 655
Advances from customers	22 765	3 725
Trade payables	20 594	22 619
Mandatory State social insurance contributions	18 609	15 719
Value Added Tax	12 697	10 064
Personal income tax	11 608	7 898
Other receivables	3 072	37
	222 695	**190 231**

The carrying values of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest.

(19) Transactions with related parties

In 2013 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA, Trezors SIA and Premium Finance Group SIA.

(a) Loans balances and interest expenses

	Loans balances		Interest expenses	
	31.12.2013 EUR	31.12.2012 EUR	2013 EUR	2012 EUR
Orheja SIA	13 000	-	304	1 680
Trezors SIA	20 000	35 000	2 479	2 995
Premium Finance Group SIA	200 000	-	13 163	-
	233 000	**35 000**	**15 946**	**4 675**
The non-current part of the loans	33 000	-		
The current part of the loans	200 000	35 000		
	233 000	**35 000**		

(b) Remuneration to the management

	Remuneration to Council members		Remuneration to Board members	
	2013 EUR	2012 EUR	2013 EUR	2012 EUR
Salaries	-	-	51 164	50 979
Social security contributions	-	-	12 325	12 281
Other costs	-	-	9	9
	-	**-**	**63 498**	**63 269**

(20) Operating leases - the Group as lessee

During the financial year was in effect a number of agreements of premises rent. Lease payments recognised as an expense during the reporting period amount to EUR 17 187 (2012: EUR 15 105). No sublease payments or contingent rent payments were made or received.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2013. EUR	31.12.2012. EUR
Within 1 year	17 187	15 105
	17 187	**15 105**

(21) Financial and capital risk management

The Company's activity is exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risks

The Company's main financial assets and liabilities are denominated in Latvian lats (LVL) and Euro (EUR). Revenues are collected both in LVL and EUR. Daily purchases primarily are incurred in LVL and EUR.

At the end of the year the Company has an open position in euro, but considering that in 2014 held Latvian national currency changeover to euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

(ii) Interest rate risks

The Company is exposed to interest rate risk as the part of the liabilities are interest-bearing borrowings with the variable interest rate (Note (19)), as well as the Company's interest bearing assets have fixed interest rate.

	31.12.2013. EUR	31.12.2012. EUR
Financial liabilities with variable interest rate	180 205	193 554
Open position, net	**180 205**	**193 554**

Taking into account insignificant proportion of financial liabilities with variable interest rate in total financial liabilities, possible changes of interest and interest rate does not leave significant effect on the Company's profit before tax.

(ii) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate due to other market factors. The Company's management monitors the market fluctuations on a continuous basis and acts accordingly but does not enter into any hedging transactions.

(b) Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables and loans. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

Maximum exposure to credit risk	31.12.2013. EUR	31.12.2012. EUR
Loans and trade receivables	2 581 066	2 649 329
Other current assets	163 149	151 976
Cash and cash equivalents	312 421	121 425
	3 056 636	**2 922 730**

Within the Company the credit risk is managed using centralized procedures and control. The main credit risk occurs in connection with outstanding loans issued. To reduce these risks the Company applies a conservative credit policy – the sum of issued loans is much smaller than the value of pledged movable and immovable property. Such policy allows the Company to reduce its credit risk to minimum. Information about the structure of the loan portfolio is provided in Note 12.

The Company is not subjected to income concentration risk because the Company gains income from many clients where the total payment of interest income or commission fees is formed by small sums.

Financial and capital risk management (continuation)

(c) Liquidity risk

Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds through bonds emission, loans provided by banks and related parties. Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows.

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows (excluding interest):

On 31 December, 2013	**Total**	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Bonds	2 860 000	-	2 860 000	-	-
Loans from credit institutions	82 871	70 327	12 545	-	-
Other loans	733 000	350 000	383 000	-	-
Finance lease liabilities	97 333	28 514	28 561	45 321	-
Trade and other payables	222 697	222 697	-	-	-
	3 995 901	**671 538**	**3 284 106**	**45 321**	**-**

On 31 December, 2012	**Total**	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Bonds	2 859 689	-	-	2 859 689	-
Loans from credit institutions	70 853	28 291	42 562	-	-
Other loans	434 999	434 999	-	-	-
Finance lease liabilities	122 701	25 367	28 514	95 761	-
Trade and other payables	190 231	190 231	-	-	-
	3 678 473	**678 888**	**71 076**	**2 955 450**	**-**

All loans and trade receivables are short - term, with a maturity 1 year or less.

(d) Capital Management

According to the Latvian Commercial Law requirements if the Company's losses exceed half of the share capital, the Board is required to address shareholders to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management objectives, policies or processes.

Company's management controls the net debt to equity (gearing ratio). In the reporting year, the figure has increased slightly till 597% (2012: 534%) due to loan growth. Taking into account a stable financial position and forecast cash flow in the reporting year the dividends were paid. Dividends paid exceeded the profit and, as a result of decreased amount of equity to total assets.

	31.12.2013.	**31.12.2012.**
	EUR	**EUR**
Total borrowings	3 773 203	3 488 242
Less cash and its equivalents	(312 421)	(121 425)
Net debt	3 460 782	3 366 817
Equity	561 662	630 213
Total capital	4 022 444	3 997 030
Total assets	4 611 633	4 360 895
Net debt to equity	616%	534%
Equity ratio on total assets	12%	14%